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## **National Intelligence Daily**

Friday 21 May 1982

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CPAS NID 82-119JX 21 May 1982

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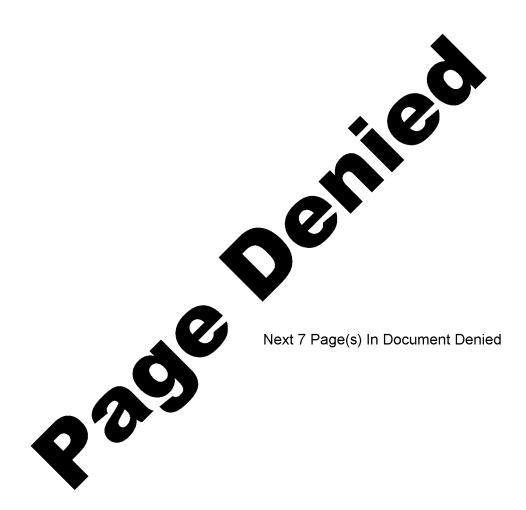
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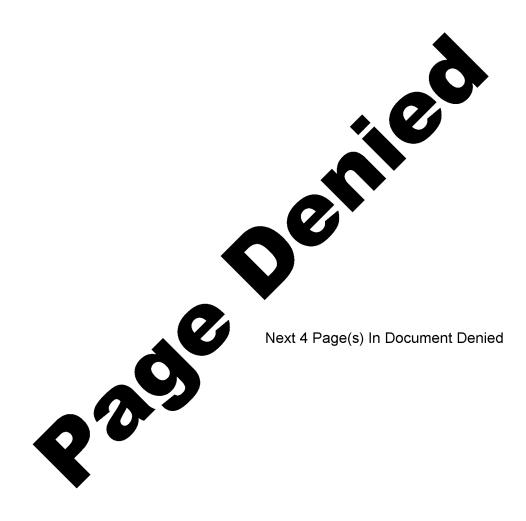
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SPECIAL ANALYSIS	
SOUTH KOREA: Problems Mount for Chun	
The financial scandal that broke in Seculatest and most damaging in a series of setback. He has already attempted to ease public doubts role in the scandal by shaking up the leadershamay take to the streets if Chun is unable to reskepticism of his ability to govern effectively	ks for President Chun. about the government's ip. The opposition everse mounting public
The scandal revolves around a form security official and his wifewho is to an uncle of Mrs. Chunto acquire unwhich they then loaned to cash-short cotant interest rates. Investigation of ings has revealed widespread bribery an activities by major bank presidents and	related by marriage asecured bank loans, ompanies at exorbithe couple's deal-ad other illegal
Chun's initial attempts to put a l failed. The opposition parties are now lative probe, and the media are demandi examination of the scandal.	urging a legis-
The President subsequently pledged involved in the affair, and the governmits preliminary investigation today. He sacrificed a number of high-level "New plicated in the scandal, including lead party and his wife's uncle. At a minim will use the cabinet's offer to resign the economic portfolios and to underling to root out the scandal.	ent is to release te has already Era" figures im- ters of the ruling tum, he probably to make changes in
Other Political Liabilities	
Chun's recent problems began with overreaction to the firebombing in mid-facility in Pusan. The regime's determ the incident as a violation of national	March of a US ination to portray
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rity law for harbo persuading them to of Christian activ	tholic priest under tring several of the same surrender, and its gottoned endered ende	suspects before general critic even political	e ism
policeman further force widely regard repair the damage Affairs Minister and him achieve power, Ro is an excellent	ast month by a derangeroded public confidenced as corrupt and inform this incident, on the confidence of the confidence	ence in a police officient. To the contract of	o Home ed ough
cials received kick construction accide to perceptions of	arlier this spring the kbacks in rice deals ent in Seoul in early official venality and signs so far that the	and a major so April have ac l ineptitude.	ıbway
wavering in its over	erall support for Chu	ın, although Ch	
military supporters scandal.	s reportedly are "irr	itated" over 1	the 25)
The Economic Record	1		25)
The economy's against the government ast year because and the government over, Seoul's need	sluggish performance ment. Growth has slo of the slump in inter 's anti-inflationary to keep scaling back aged the government's	wed since late national deman policies. Mon growth project	e nd ce-
unofficial money ma Unless Seoul is ab	scandal, which has parket, complicates the to channel additions inesses, many firms	ne economic out onal funds to f	inan-

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## Prospects

The scandal comes at a bad time for the regime, because spring is a traditional season for protest in South Korea. Student, Christian, and labor activists have sensed Chun's vulnerabilities, and there are indications that they will use recent events to mobilize support against him.

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If there is a wave of civil unrest, military leaders will assess the extent to which it is motivated by Chun's personal liabilities stemming from the involvements of his in-laws and members of his ruling party in the scandal. Should Chun ride out this recent series of setbacks, his government at a minimum will remain increasingly vulnerable to adverse political and economic developments.

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